

# 12 Observations on the Draft Law of the Act on Organising Health and Social Services



NATIONAL INSTITUTE  
FOR HEALTH AND WELFARE

## Foreword

*On behalf of the Ministry of Social Affairs and Health, the National Institute for Health and Welfare has assessed the effects of the Act on Organising Health and Social Services. The subject of the analysis is the draft law published on June 30th 2016. The ex-ante evaluation is already the fifth on the same subject.*

*Compared to the previous assessments, the current one has been far more of a challenge. The contents of the draft law have been in a state of flux during the whole preparation period, all the way down to the publication date. The freedom-of-choice scheme will have a significant effect on the legislation as a whole, and it is still being finalised. Its contents will impact several provisions of the Act on Organising Health and Social Services. The assessment has been carried out in parallel with the legal drafting from December 8th 2015 to June 27th 2016.*

*The National Institute for Health and Welfare believes that the draft law will create favourable conditions for improving equity in access to services and will also offer better opportunities for the inevitable structural reforms.*

*I would like to thank the experts and the representatives of NGOs and interest organisations that were consulted during the different stages of the assessment process, and I would also like to thank the National Institute for Health and Welfare's group of experts that carried out the assessment.*

*Helsinki, June 30th 2016*

*Juhani Eskola, Director General*

The social and health services reform, as provided for in the draft law, will substantially reduce the number of service organisers, significantly expand their size (due to the growing population base) and will also strengthen the organisers' economic capacity. In the level of organisation, the reform will bring about an extensive integration of social and health care services that involves imposing the combined responsibility for the organisation of social and health services on 18 counties.

The large size of the organisers is expected to reduce regional and local differences in the availability of services. As a consequence, inequalities between residents will become narrower. The organisers' actual means and abilities to develop the service structure, as well as the way the freedom-of-choice scheme is going to be implemented, will both be crucial to the success of the system.

The draft law includes ingredients that will create favourable conditions for a thorough reform of the social and health care service structure. The way the reform is implemented during and after the transition period, as well as the form the freedom of choice scheme will take, are both of critical importance to the legal objectives that concern promotion of health and wellbeing. They also play a decisive part in making it possible to have equal and cost-effective services available throughout the country.

The main observations made in the preliminary assessment of the proposed Act on Organising Health and Social Services can be summarised in 12 key points:

**1.** In the long-term perspective, the increased size of the organisers and the strengthening of their economic capacity may create preconditions for reducing inequalities in health and well-being.

- Transferring the responsibility for organising services from municipalities to significantly larger operators will create preconditions for enhancing the equality of social and health services. In the long run, this may reduce differences in health and wellbeing between different regions and population groups.
- The system, as it stands in the draft law, will offer an opportunity to have more equitable services. The challenge of the multi-provider model is to secure service bundles for customers who need a wide variety of services. Another challenge is to coordinate services that remain the responsibility of the municipalities with services that will now become the responsibility of the counties.
- The strict budgetary control, as proposed in the draft law of the Act on Financing Health and Social Services, as well as the pressure to increase both customer payments and deductibles (= the amount of expenses that a customer must pay out of their own pocket before an official body will pay any expenses) could jeopardise both the implementation of adequate and equal services and the efforts aimed at reducing health and wellbeing inequalities.
- Based on the principle of financing, the state has the obligation to finance services that have been assigned to the counties. This obligation applies to the extent provided for in the law. Since the counties do not have a right of taxation, it will be difficult for them to align their funding when the underlying causes of the costs are not the needs that allow for state financing.
- The lack of the right to raise taxes will limit the autonomy of the counties' financing, but it will also offer good conditions for the state to assure budgetary discipline.

**2.** A number of counties that have been given responsibility for organising services, have poor organisational competence and will be weakly resourced right from the outset of the reform.

- Despite the decrease in the number of service organisers, the total number of organisers will still be too high to achieve the targets laid down in the legislation, namely, equal and cost-effective social and health care services.
- Successful implementation of the multi-provider model requires solid know-how in organising, and all counties may not necessarily possess these skills.

**3.** Due to the large number of organisers, it is justifiable to establish five collaborative areas that will help to coordinate and centralise service production. However, it is unclear how a collaborative area will implement its numerous coordination tasks and contractual obligations in practice.

- A collaborative area will coordinate – not steer – the implementation of social and health care services in its member counties. Common understanding among the counties, as well as agreement on the implementation and development of the services, are essential for the success of this task. This could be complicated however by the fact that the capacity to put the multi-provider model into practice varies across the counties. An additional factor are the county-specific differences in the provider structure.

**4.** The number of organising bodies that steer social and health services will decrease from what it is today, and it should be realised that the national and county-specific steering system as a whole is something that will take time to evolve.

- There are many instances and procedures that steer the operators within the field of social and health care. The inter-relationships are still partly unclear, and the practical implementation of steering might turn out to be rather complicated.
- In particular, the multi-layered structure of the internal steering systems of the counties (organiser–service institution–service providers) will complicate matters.

**5.** The integration of social and health services is an essential step in achieving the goals of the reform. However, there is uncertainty as to whether it will become a reality.

- The draft law would implement the integration of service organisation, and it would also contribute to increased integration within financing.
- The draft law includes ingredients that may promote service coordination at the level of service production. At this point, it is difficult to carry out an adequacy assessment of these ingredients, since the details of the freedom of choice scheme are still undefined. The realisation of the client-oriented integration is dependent on the implementation of the Act, the instruments at the organiser's disposal (these are not yet fully defined in the draft law), as well as the manner in which service production is to be carried out. In addition, a client-oriented integration would require the integration of information to be as complete as possible, which at the moment is unlikely to materialise.

**6.** The draft law could lead to the abolition of the existing integrated in health and social care areas. The same would apply to integrated areas that have been proposed or are about to be introduced.

- The obligation to separate organisation from service provision as well as the assignment of the production responsibilities to a service institution (which is an independent legal entity) may result in a situation where the law does not permit already existing integrated organisations, such as the South Karelia Social and Health Care District (Eksote) or the Kainuu Social and Health Care Joint Authority.
- The obligation to incorporate a county's own services that are within the freedom of choice scheme may require that even the functioning structures that have already been integrated need to be dissolved.

**7.** The draft law provides an opportunity to slow down the increase in expenditure, and it will also make it possible to strengthen the economic governance of social and health care. However, it does not offer any guarantees that the savings target, as contained in the Government policy, will be achieved.

- Making a reality of the integration of service organisation and service production along with the centralisation of management might slow down the increase in expenditure on social and health care. Still, uncertainty surrounding the realisation of service integration makes the assessment of future expenditure development difficult for the time being.
- The new form of operation for social and health care, as laid down in the proposed Act on Organising Health and Social Services, is unlikely to be enough in itself to achieve the Government's target of EUR 3 billion of savings.
- Nonetheless, the new form of operation is expected to provide better tools and conditions for realising economically important structural reforms, such as the centralisation of highly specialised medical care and the rationalisation of the service network.
- In economic steering, it is of paramount importance to take notice of the fact that the needs in regard to the allocation of funding vary from one county to another. Given the unique characteristics of the counties, ensuring fairness in financing is something that will require continuous developing. Also, the criteria for allocation will need regular updates.

**8.** The provisions regarding the transition period for state financing are justified. If the transition period was left too short, it could quickly lead to financing difficulties for the counties. Too long an adaptation period on the other hand would keep the costs unnecessarily high.

- The procedure for revising the financing, as proposed in the draft law, will considerably improve the conditions for achieving the targets set for the sustainability deficit.
- When a review of state financing is carried out, linking the costs to a price index that does not represent the actual developments in costs of social and health services could lead to under-resourced services or budget deficits.

**9.** An evaluation process targeted at a county that is in financial difficulties may turn out to be unnecessarily sensitive.

- State financing is conditional upon balanced economic management in the counties. To ensure that this is the case, there needs to be an evaluation process that prevents the occurrence of a deficit and, if necessary, will start to take steps to balance the county finances in good time.
- Based on historical data, the evaluation process, as proposed in the draft law for the Counties Act, could lead to a situation where nearly all counties would be subjected to the evaluation process. On the other hand, activities within the new system could develop into something so different that historical data would not as such be applicable.

## 10. The responsibilities for the promotion of health and wellbeing remain unclear in the draft law.

- Social and health care, as defined in the draft law, includes the promotion of health and wellbeing in the counties and municipalities. However, the exact content of this definition remains partially open to interpretation. This will affect how the promotion of health and wellbeing is organised and put into practice.
- There is ambiguity surrounding responsibilities, co-operation and expert support as regards the collection and use of the monitoring information on the health and wellbeing of the whole population.
- Central government transfers to municipalities come with a strong incentive to promote health and wellbeing of the residents.
- The economic incentive included in the state financing of the counties will place an emphasis on the importance of preventative services.

## 11. From the point of view of information management, the process to change the service system is substantial and will last for over a decade. Many of the questions that have not yet been answered will affect the success of the practical implementation as well as the number of operational and financial benefits that can be achieved.

- The draft law enables the kind of information management system that is necessary for ensuring equal and cost-effective services. However, this will also call for information management skills from the organisers. For the processing of data, the arrangement that is set out in the Act will require information systems that are separate from the service providers' own information systems.
- Counties' own service production that is not open to competitive tendering, will enjoy better opportunities for IT integration. However, the possibilities may be rather limited for the counties to govern the information management of businesses operating in the market.
- Separating organising from the production, as well as the incorporation of service provision, will create a new context for the processing of medical records, client data and the information necessary for the operations control. The successful implementation of this depends on completely new solutions for IT and information management. Also, there are no guarantees that the transition from the old to the new will be successful.
- Information management will allow a new approach to knowledge management, but the practical implementation requires lots of work and novel operational processes that are supported by the draft law. The roles of different actors need to be clear, and it is important to ensure that the actors have the competence required for their tasks.

## 12. Since the body of legislation is not yet complete, it is difficult to predict the impact it will have.

- There is a lack of clarity concerning the separation of organisation from production, the division of responsibilities between different actors, and the governance of the service structure and service providers. There is no one clear answer to the question of who is the responsible public authority in any given case or who carries the responsibility for the significant exercise of public power. Also, the details concerning the freedom of choice model and the operating conditions for the service providers still remain unsolved.

Background material available at  
<http://alueuudistus.fi/en/frontpage>  
[www.thl.fi/fi/web/sote-uudistus](http://www.thl.fi/fi/web/sote-uudistus)

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